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SERVICE DATE – SEPTEMBER 1, 2005

DO

FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 34736]

Watco Companies, Inc.–Continuance in Control Exemption–Yellowstone Valley Railroad, Inc.

Watco Companies, Inc. (Watco), has filed a verified notice of exemption to continue in control of the Yellowstone Valley Railroad, Inc. (YVRR), upon YVRR's becoming a Class III rail carrier.¹

The transaction was scheduled to be consummated on or shortly after August 9, 2005.²

This transaction is related to the concurrently filed verified notice of exemption in STB Finance Docket No. 34737, Yellowstone Valley Railroad, Inc.–Lease and Operation Exemption–BNSF Railway Company. In that proceeding, YVRR seeks to acquire by lease from the BNSF Railway Company and operate approximately 171.97 miles of rail line extending between: (1) milepost 6.0, near Glendive, MT, and milepost 78.6, near

¹ Watco owns 100% of the issued and outstanding stock of YVRR.

² Although Watco indicated that this transaction would be consummated on or shortly after August 9, 2005, YVRR, in STB Finance Docket No. 34737, indicated that the underlying lease transaction would not be consummated until August 15, 2005.

Snowden, MT; and (2) milepost 0.93, near Bainville, MT, and milepost 100.3, near Scobey, MT.³

Watco, a Kansas corporation, is a noncarrier that currently controls 12 Class III rail carriers: South Kansas and Oklahoma Railroad Company (SKO); Palouse River & Coulee City Railroad, Inc. (PRCC); Timber Rock Railroad, Inc. (TIBR); Stillwater Central Railroad, Inc. (SLWC); Eastern Idaho Railroad, Inc. (EIRR); Kansas & Oklahoma Railroad, Inc. (K&O); Pennsylvania Southwestern Railroad, Inc. (PSWR); Great Northwest Railroad, Inc. (GNR); Kaw River Railroad, Inc. (KRR); Mission Mountain Railroad, Inc. (MMT); Appalachian & Ohio Railroad, Inc. (AO); and Mississippi Southern Railroad, Inc. (MSRR).

Applicant states that: (1) the rail lines operated by SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR, MMT, AO and MSRR do not connect with the rail lines being leased by YVRR; (2) the continuance in control is not part of a series of anticipated transactions that would connect the rail lines being acquired by YVRR with any railroad in the Watco corporate family; and (3) neither YVRR nor any of the carriers controlled by Watco are Class I carriers. Therefore, the transaction is exempt from the prior approval requirements of 49 U.S.C. 11323. See 49 CFR 1180.2(d)(2). The purpose of the transaction is to reduce overhead expenses and coordinate billing, maintenance,

³ YVRR also seeks to acquire incidental, overhead trackage rights over the BNSF rail lines located between: (1) milepost 78.6, on the BNSF Sidney Subdivision, near Snowden, MT, and milepost 0.93, on the BNSF Scobey Subdivision, near Bainville, MT, via the BNSF Glasgow Subdivision between Snowden and Bainville; and (2) milepost 6.0, near Glendive, MT, and milepost 0.0, at Glendive, MT.

mechanical and personnel policies and practices of applicant's rail carrier subsidiaries and thereby improve the overall efficiency of rail service provided by the 13 railroads.

Under 49 U.S.C. 10502(g), the Board may not use its exemption authority to relieve a rail carrier of its statutory obligation to protect the interests of its employees. Section 11326(c), however, does not provide for labor protection for transactions under sections 11324 and 11325 that involve only Class III rail carriers. Accordingly, the Board may not impose labor protective conditions here, because all of the carriers involved are Class III carriers.

If the verified notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 34736, must be filed with the Surface Transportation Board, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on Karl Morell, Of Counsel, BALL JANIK LLP, 1455 F Street, N.W., Suite 225, Washington, DC 20005.

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Decided: August 23, 2005.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams

Secretary